

BUSINESS CONDITIONS & FORECASTS

A M A News Letter

AMERICAN MANAGEMENT ASSOCIATION, 330 WEST 42nd ST., NEW YORK, N. Y.

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The President's Scratch-Pad



ALVIN E. DODD

An opinion and attitude survey among the people who are managing and working in British war plants was made some time ago by the British Advertising Service Guild. The results of this study apparently have not received any publicity in this country, and the report that I have seen is only a summary appearing in the June number of the new British business magazine, *Scope*. Yet no report sheds as much light as this one does on the mood and sentiment of industrial England, or upon the question of what is going to happen to the British economic and social system after the war.

To anyone reading these findings, it is apparent that from the wreckage of the bomb-blasted British cities are arising not only new communities but a new way of thinking.

The most noticeable wartime attitude of managements, the report found, was antagonism to the supply departments. "This abuse of the civil ministries is found to some extent in practically every firm and is as much the common talk of the average managerial person as is the talk about inefficiency of management among the more critical section of the workpeople," it stated.

Among the *anxieties* of managing directors which are specifically mentioned are: (1) possible survival of government control after the war, (2) the increasing pressure from the trade unions for a voice in management, (3) the advantages their competitors may have over them when "normal business" can start again, (4) the loss of export markets, not only for their own firms but for the economy of the whole country.

The study comments: "Perhaps more than anyone else this section of the community wants to get the war over QUICKLY. It feels less secure than ever before; it sees all-round encroachments on its traditional rights. It has the further difficulty of shortage in sufficient supporting

personnel to assist in facing new problems. From all sides we heard of the drought in managerial staff, though we note a common assumption that managerial staff must be recruited from a managerial class, and not upgraded from below. The expanded needs of war have found the ranks of management thin in initiative. Some of the best people have gone into Ministries, and many into the Services."

In another section, the report states that the prestige of the employer has been injured because the propaganda criticizing war industry has placed the blame on management and management has done little to inform the public of its point of view in other but negative terms. The summary goes on: "Wherever ordinary people hold decided views about industrialists and the profit system (not necessarily the same as their views on industrial efficiency) these opinions are predominantly antagonistic. For every one person against conscription of wealth, six are in favor. To a large number of citizens the conscription of wealth seems like common sense when you've conscripted people. They may be vague about what they mean, but the feeling is there. A large number still are in favor of government ownership of mines, railways and other essential industries—more than 10 to one in favor."

It may be surprising to many of us Americans to learn how British public opinion is veering. The whole subject involves a vast field of thought and our postwar planners may well give an eye to what is happening in Britain.

It would not be fair to leave the impression that British management is unaware of its problem. The survey report makes clear that many industrialists, even though they still represent a small minority, are beginning to take account of this changing situation. Apparently the realization is growing that industry must give as much thought to the effect upon the humanities of its managerial and industrial techniques as to the *development* of the techniques themselves.

Alvin E. Dodd

BUSINESS OUTLOOK

Despite the highest volume of factory output on record in May, 15.6 per cent above the output last year, production must be stepped up 67 per cent to counterbalance recent Allied reverses, according to predictions of Donald Nelson. In dollar value factory output is expected to rise from \$45 billion this year to \$75 billion in 1945.

To meet this requirement, metals plant must be enlarged in addition to expansion of aluminum, magnesium, electric steel and other capacity now under way. Use of scrap must be improved, materials moved more rapidly and civilian goods subjected to a tighter squeeze. These shortages are expected to be felt by the end of the year.

Factory payrolls were also the highest on record, 33.7 per cent above those of a year ago, and factory employment was up 9.7 per cent.

National income again advanced in May for the third consecutive month and reached \$10,043,000,000. Preliminary estimates indicate that June will closely parallel this figure, and that in July the upward trend will be resumed.

Farm cash income has advanced 3.4 per cent in the year and farm prices 24.7 per cent. Hog slaughter is expected to run 15 to 20 per cent greater than a year ago, with an indicated 25 per cent increase in the 1942 spring pig crop. This will tax slaughter facilities to capacity next winter.

War demand for concentrated foodstuffs is expected to increase production of fats and oils about one billion pounds over the 1941 production of 9,300,000,000 pounds. This is not expected to cover domestic demand, and limitations on consumption are being speculated upon.

The chief interest in domestic business is in distributive trade. Department store sales dropped 7.5 per cent in June as compared with a year ago, but inventories were 70 per cent higher. When they climb at this rate they become unbalanced, including surpluses which are less salable than anticipated.

Industrial and heavy engineering building activity continued in record-breaking volume, with private contracts 120 per cent higher in June than in June, 1941.

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	Alexander Hamilton Institute	Brookmire, Inc.	Business Week
General Outlook	The national income produced in the U. S. rose in May for the third consecutive month. This rise nearly offset the seasonal recession which occurred in the four previous months. The national income amounted to \$10,043,000,000 in May, and preliminary information indicates that June will show little change (July 18).	Gains over a year ago have been pronounced in consumer incomes; and this increasing purchasing power, when supplies of civilian goods are decreasing, represents an inflation gap that is still widening. Though government is trying to absorb surplus incomes in War Savings Bonds, inflation control is still difficult (July 15).	Donald Nelson predicts that our factory output will rise from \$45 billion this year—present rate—to \$75 billion in 1943. Conceivably dollar value might soar above that, if costs were inflated by higher prices or by inefficient waste of man-hours. In physical terms, that's about the limit of our economy, he warns (July 18).
Money and Credit	Total loans and investments of reporting member banks in June stood at \$32,366,000,000 as compared with \$28,481,000,000 a year earlier, showing a gain of 13.6%. Their total deposits increased 9.2% in the same period from \$29,160,000,000 to \$31,853,000,000 in June of this year (July 18).	The 6.5% increase over a year ago in bank deposits indicates inflationary forces. Record-breaking deposits (\$25,502,000,000 on July 1) mean abundant funds with which people can buy commodities, stocks, etc. With mounting federal deficits, surplus funds may be invested in common stocks as an inflation hedge (July 15).	Money outstanding has jumped \$2,800,000,000 since June, 1941, against \$1,800,000,000 a year before, reflecting fear hoarding—which could turn into fear spending and wreck plans for inflation control. Banks are buying more government bonds against reserves which must be posted at expense of excess reserves (July 18).
Security Markets	The market value of listed shares in June totaled \$33,419,000,000 as compared with \$39,608,000,000 a year ago, a decline of 15.6%. For the week of July 14, the average price of 25 industrial stocks was \$131.21, as against \$163.86 a year ago, a decrease of 19.9% (July 18).	After the industrial and railroad averages reached new peaks for the upswing—on the best trading volume this year—the stock market has held in a narrow range. Inflation sentiment has played a large part in the spurt, with armament stocks sharing liberally (July 15).	The security price average for industrial stocks stood at 89.8 in the latest week for which figures are available, according to Standard Poor's Corporation. This compares with 80.4 last week and 102.3 a year ago. Industrial bond registered 108.4, as against 107.8 last week and 104.9 a year ago (July 18).
Production	Factory output in May reached the highest volume on record. Steel output and electricity production in May were higher than in April but some curtailment occurred in cotton goods. Expansion from April to May in mining was due primarily to increased output of iron ore and petroleum (July 18).	The Federal Reserve Board manufacturing index in May showed a 15.6% gain over a year ago, rising from 160 to 185 (preliminary). The machinery index gained 35% over the same period, from 206 to 278 (preliminary), electric power output rose 9.5% (July 15).	Hitler's spectacular successes in Russia place emphasis back on American production now of weapons to help halt current Axis drives. 67% more output is wanted. Increased arms production must be met by expanding metals plant, better use of scrap, faster flow of materials, and more squeeze on civilian goods (July 18).
Distribution	The department store sales index for June stood at 106, having increased 1.9% over a year ago, when it was 104. Federal Reserve Board reports that department store inventories at the end of April were 60% larger than a year ago, with only half of the increase accounted for by higher prices (July 18).	Mail order supplies have contracted as a result of curtailment in supplies of hard goods, dropping 18.1% in May, 1942, as compared to a year ago. Variety stores, meanwhile, recorded a gain of 15.8% over the same period. Department store sales index stood at 101 in June, a 1% increase over 1941, when it was 100 (July 15).	In the latest week for which data are obtainable the index of department store sales was 1.5 less than the corresponding week a year previous. Last week a similar comparison showed an 8% decline. Just a month ago a 7% rise was recorded, and a year ago the corresponding rise was 28% (July 18).
Construction	Private building contracts rose 120% from June, '41, to June, '42, or from 83,995,000 sq. ft. to 184,758,000 sq. ft. The value gain over the same period was 85.6% from \$406,090,000 to \$753,856,000 in June '42. Public works contracts piled up a gain of 228.1% to \$436,408,000 in June, '42 (July 18).	Poor building permits reflect the curbs put on non-essential building by government, declining 54.4% in May, compared to May, 1941. Building engineering contracts gained 155.2% in the same period (<i>Engineering News-Record</i>); in the latest week for which statistics are available they totaled \$1,045,000,000 (July 15).	Part of the needed arms increase will come from expansion of aluminum, magnesium, electric steel and other capacity already under way. Ambitious plans for pipelines of clay hinge on experiments which may be made with gravity flow oil ducts of ceramic tile (July 18).
Agriculture	Farm cash income recorded a gain of 32.9% from June, 1941, when it totaled \$771,000,000 through June, 1942, when it stood at \$1,025,000,000. Farm product prices, with an index of 100 for the week of July 4, were more favorable than in the preceding week and were 24.7% above prices a year ago (July 18).	The index for farm income, seasonally adjusted, in May was 178.9, compared with 133.3 a year ago; the percentage gain was 34.2. However, in comparison with the preceding month, a 4.7% decline was noted (July 15).	The index of domestic farm product prices reached 183.4 in the latest week for which statistics are compiled. This compares with 181.1 in the preceding week and 148.4 a year ago (July 18).
Commodity Prices	The Bureau of Labor Statistics price index of 28 basic commodities rose during the week ended July 10 for the fifth consecutive week and reached a new high peak for the war period. The latest index was 167.9, as compared with 167.4 in the preceding week and with the previous wartime high of 167.5 (July 18).	The Labor Bureau index of wholesale prices of metals, at 104.0 on July 4, showed no change from previous month, but compared with prices a year ago showed a gain of 5.7%. The Labor Bureau index of wholesale textile prices at 97.3 was only 0.1% above a month ago but 15.7% above a year ago (July 15).	<i>Business Week's</i> spot commodity price index registered 233.0 in the latest week for which such figures were available. A week ago the index stood at 231.8 and a year ago it was 206.8 (July 18).
Labor and Wages	Factory payrolls continued their upward trend in May and reached the highest level on record, 33.7% higher than a year ago. The payroll index, as compiled by the USBLS, was 192.6 in May as compared with 186.6 in April and with 144.1 in May last year (July 18).	The labor question may well involve rush training of skilled workers or trying out of women for certain operations. Factory employment in May, according to the USBLS index, showed an increase of 9.7% over a year ago, rising from 124.9 to 137.0 (July 8, 15).	The problem of adjusting labor's course to war conditions afflicts leaders who think of usual standards of living and wage increases normal for a period of rising production; also Washington agencies that compromise disputes in the name of realism jeopardize the anti-inflationary campaign and manpower mobilization (July 18).
Foreign Trade and Conditions	Exports to the U. S. from Latin American countries have increased sharply, particularly war commodities which this country needs. Imports to them have declined. The favorable balance of payments has enabled them to have balances in the U. S., estimated at between \$250,000,000 and \$500,000,000 (July 18).	The stabilization agreement between the U. S. and Brazil, by which the U.S. buys surplus Brazilian commodities which formerly went into world markets and advances loans to offset the remainder of loss of revenue due to curtailment of shipments to Europe, was extended in Washington last week (July 18).	

This digest covers the views of various authorities. It does not include any strictly confidential information or specific advices from the sources.

Dun's Review

Production, employment, incomes have set new high records. Wholesale ordering, on the other hand, is cautious, in contrast to the buying spree of last summer. Retail dollar sales lag 5 to 10% behind 1941 volume. Prices are relatively steady (August).

Bank clearings (24 cities) totaled \$31,597,040,000 in June, up from \$29,683,633,000 in May and 5.8% above last June. Lower for the third successive month, the adjusted insolvency index (failures) was 46.2 in June, compared with 55.0 last June (August).

A mild flurry of trading in early July relieved the extreme dullness of stock markets, sending the Dow-Jones industrial average to 109, the highest level since early February. A year ago the average was 128 (August).

A more decided increase in production suggests that industry is over the hump in the conversion stage. Expanding war goods output, estimated now at half the national product, more than cancels shrinkage of the civilian segment. At 180, the FRB adjusted index for June is up 14 points since Pearl Harbor (August).

The slackness in the retail and wholesale markets is reflected in more frequent reports of bargain-hunting and sales of off-price and clearance merchandise. The *Dun's Review* index of consumer buying declined again in June, dropping from 107.6 in May to 105.4, a decrease of 7.5% compared with last year (August).

Building activity continues in record-breaking volume, based on the spectacular increases in industrial and heavy engineering work. Permits, which include relatively little Government construction, show a month-to-month decline, reflecting steady contraction of commercial and residential work (August).

Finishing June at a level unchanged from the start of the month, the daily wholesale price index of 30 basic commodities had a short-lived rise in early July but receded again to 156 (1930-32=100), matching the July 1 level. Retail prices declined fractionally for the second successive month (August).

Employment, the highest on record, was increased seasonally by 1,700,000 persons, between May and June to a total of 53,300,000, WPA reports. As of July 1, the War Manpower Commission estimates, 12,500,000 persons were actively engaged in direct war work (August).

Cleveland Trust Company

It appears that the war may be long and that we shall have to take a more active part in it. We shall have to produce all we can as fast as we can. We must plan on a period of years in which our one big business will be war, and other businesses its subsidiaries. Shortages may develop by the end of the year (July).

Individuals have been adding from one to two billion dollars every three months to their holdings of cash and deposits. In the first quarter of this year, however, they actually reduced their deposits by about 200 million dollars. To a large extent this change has been offset by the purchase of war bonds (July).

In 1940, outstanding stocks and bonds decreased, the result being a reduction in savings of this sort. Since then people have increased their holdings of securities and in the past six months purchased large amounts of war bonds. In the first quarter of 1942 net increase amounted to more than \$2 billion (July).

The volume of industrial production remained unchanged during the past four months from March through June at a level 15% above the computed normal level, which takes into account the long-term growth of the industrial productivity of the country and the increase in population (July).

Retail trade has declined since April. Latest figures of total dollar sales are running at about the levels of a year ago, but sales volume is much smaller because of high prices. Among the causes of the decline are price ceilings, tighter credit rules, increases in income taxes, purchases of war bonds and few durable goods (July).

Through the Reconstruction Finance Corporation, the Federal Government has assisted in financing business expansion. More than \$130 million of RFC funds are being used by business for war purposes. A much larger sum has been put into war industries through corporations such as the Defense Plant Corporation (July).

Employment in agriculture has decreased. People leaving the farms and going to the cities have probably been the hired laborers rather than the farm tenants or farm owners. Farmers' incomes have been rising as fast as other workers'. The government has abandoned the policy of restricting farm production (July).

In the past few years the farmers have shared proportionately with industrial workers in increases in income resulting from the war boom. They have had to work harder and produce more, and so have workers in factories. Advances in farm income have resulted from both greater production and higher prices (July).

National City Bank

Aggregate income payments have increased steadily. According to the latest figures of the Department of Commerce, national income was at the rate of \$109 billion annually. With this money in the hands of the public, consumption will hardly decline except as an effect of scarcities and rationing (July).

The Treasury intends to raise up to \$4.5 billion of new money in July and August. In fiscal 1943 new securities to be sold to public approximate \$47 billion, \$12 billion to be raised by war bond sales. Purchases by insurance companies, savings banks and others, are estimated at \$6 billion; commercial banks, \$29 billion (July).

In the business situation the optimistic feeling arising from Japanese defeats in the Coral Sea and off Midway and from air raids on German cities was reflected in higher stock prices (July).

In May nearly 4,000 airplanes were produced, over 1,500 tanks, nearly 2,000 artillery pieces and anti-tank guns exclusive of anti-aircraft and tank equipment, and over 50,000 machine guns and 50,000 submachine guns. We are learning the difficulties in transporting arms and supplies to places where they are most needed (July).

In domestic business the chief interest has been in distributive trade. Retail commitments were very heavy early this year; department store inventories at end of May were 70% above a year ago. When inventories climb at this rate, they almost always become unbalanced, with surpluses which sell less than expected (July).

Hog slaughter in the next few months is expected to run 15-20% above a year ago; with an indicated 25% increase in the 1942 spring pig crop, slaughter facilities next winter will be taxed to capacity. It appears that production of fats and oils in 1942 will show an increase of a billion pounds (July).

Government authorities are already recruiting workers from the cities for harvest work. Ernest Kanzler, chief of automotive branch of WPB, has stated that first estimates of the number of men required for work in the Detroit area can now be reduced by 25 to 30%. The employment peak will be higher than in peacetime (July).

There is discussion of plans for U.S. to purchase raw materials for storage in Latin American countries until cargo space is available. Arrangements have already been made for purchasing and storing cotton in Peru. The U.S. and Southern countries are cooperating in surveys of essential needs and supply allocations (July).

Manpower Meeting Scheduled for N. Y. On Sept. 29-30

**Personnel Division Planning
Sessions Devoted to Problems
Involving Labor Supply**

To assist its members in coping with the labor supply problem, which threatens to become even more acute in the coming months, the AMA will hold a Personnel Conference devoted to the consideration of this and related problems at the Hotel Pennsylvania in New York on September 29 and 30.

L. A. Appley, vice president of AMA in charge of the Personnel Division, and the planning committee announce a program at which it is planned to have officials of the War Manpower Commission answer members' questions on labor supply.

In addition to participation by the government specialists, personnel managers and other executives will present case studies of how their companies are dealing with such knotty problems as how the labor supply problem is being solved, and how difficulties involving such matters as collective bargaining, wages, etc., are being ironed out.

Office Managers to Meet in Chicago On Oct. 15-16

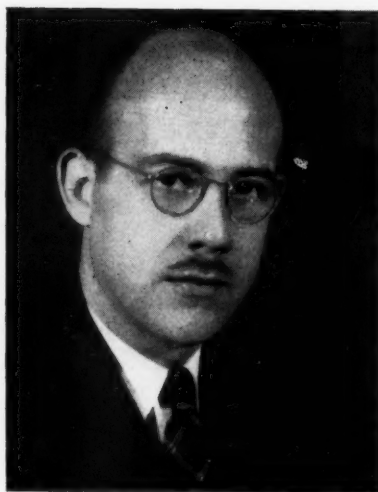
The AMA Office Management Division, under the leadership of W. E. Tarr, has plans under way for its fall conference which will be held at the Drake Hotel in Chicago on October 15 and 16.

Governmental and industrial specialists will present recommendations for and testimonial accounts of Office Organization for Wartime, under which such topics as the effect of war on job analysis and classification, multiple-shift organization of the office, staggering office hours, organizing for the seven-day week, air-raid protection, the office supply outlook and long-range planning of purchases will be discussed.

Maintenance of Office Equipment, Conservation and Substitution of Office Supplies, Compensation, Training of Office Personnel, Office Personnel Practices and Maintaining the Office Force will also be major topics at the Conference.

Some of the timely topics included in these discussions will be: wartime problems of communications expansion, combating the "pirating" of office personnel, War Manpower Commission plans, deferments for key office personnel, and post-war status of new employees.

New AMA Vice Presidents



LAWRENCE A. APLEY

Lawrence A. Appley, AMA's recently elected vice president in charge of the Personnel Division, has been identified with the field of personnel administration for the past 15 years. During this time he has placed particular emphasis on executive and supervisory attitudes and activities in relation to the human element.

Following his formal education at Ohio Wesleyan, with graduate work at Ohio State and Syracuse Universities, he served for three years as a member of the faculty at Colgate University. He started his business career as personnel manager for the Buffalo Division of the Socony-Vacuum Company, Inc., in 1930. In 1934, Mr. Appley was transferred to New York as educational director for the same company and served in this capacity until 1941, when he became the vice president in charge of personnel planning and research for the Vick Chemical Company, New York, N. Y.

Since March, 1941, Mr. Appley has been on a leave of absence from his company in order to serve the Secretary of War as expert consultant on civilian personnel. This work has brought him in contact with companies throughout the United States and has permitted him to gain an excellent insight into the industrial relations organization in many of our most important industries.

In addition to his affiliation with the AMA, Mr. Appley is active in other professional personnel activities of both business and government. He is a member of the executive committee of the management division of the American Society of Mechanical Engineers and also of the National Council of the Civil Service Reform League.

Mr. Appley has been prominent in AMA affairs for several years, having spoken at various Personnel Conferences and served on many planning groups.



W. E. TARR

W. E. Tarr, vice president in charge of the Office Management Division of the AMA, has been general office manager of The Studebaker Corporation since 1935. He was born on a farm near Greenfield, Mo., on March 7, 1900. He attended Westminster College at Fulton, Mo.; Missouri University; the State Teachers College at Springfield, Mo.; and Drury College, also at Springfield.

In 1922 he became a cost clerk with Dolese & Shepard Company, Chicago. For five years he attended evening classes at Northwestern University, receiving his B. S. degree in commerce in 1927. By that time he had progressed to the position of chief accountant and office manager.

Mr. Tarr's first position with Studebaker in 1929 was in the budget division in the treasurer's office. In 1931 he was appointed comptroller of a newly organized subsidiary, Rockne Motors Corporation, at Detroit. In 1933 he was transferred to New York as commercial manager of the Studebaker wholesale and retail branch which, among other duties, placed him in charge of the country's largest retail automobile service operation.

Mr. Tarr attracted national attention in 1940 as co-inventor of the convertible desk, embodying practical interchangeable features which are said to be the first major improvements in office desks in over 40 years. Through the use of different-sized tops, a typewriter platform, and a standard base, this desk can easily be adapted to executive or junior executive needs, or converted to left- or right-hand secretarial or clerical space-saver equipment. In November, 1941, he scooped the nation with an employee suggestion program for conserving office supplies.

Studebaker officials have recently commended Mr. Tarr for planning, organizing, and directing its War Savings Bond Drive which resulted in 100% participation by all employees within five weeks.

